

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

U.S. ETHERNET INNOVATIONS, LLC,

No. C 10-3724 CW

Plaintiff,

ORDER DENYING
PLAINTIFF'S MOTION
FOR LEAVE TO
ASSERT CLAIMS
AGAINST THIRD
PARTY DEFENDANTS
SILICON INTEGRATED
SYSTEMS, INC. AND
ORACLE CORPORATION
(Docket No. 754)
AND GRANTING
SILICON INTEGRATED
SYSTEMS
CORPORATION'S
MOTION TO DISMISS
AND QUASH (Docket
No. 731)

v.

ACER, INC.; ACER AMERICA
CORPORATION; APPLE, INC.; ASUS
COMPUTER INTERNATIONAL; ASUSTEK
COMPUTER, INC.; DELL, INC.;
FUJITSU, LTD.; FUJITSU AMERICA,
INC.; GATEWAY, INC.; HEWLETT
PACKARD CO.; SONY CORPORATION;
SONY CORPORATION OF AMERICA; SONY
ELECTRONICS INC.; TOSHIBA
CORPORATION; TOSHIBA AMERICA,
INC.; and TOSHIBA AMERICA
INFORMATION SYSTEMS, INC.,

Defendants,

INTEL CORPORATION; NVIDIA
CORPORATION; MARVELL
SEMICONDUCTOR, INC.; Atheros
COMMUNICATIONS, INC.; and
BROADCOM CORPORATION,

Intervenors.

Plaintiff U.S. Ethernet Innovations, LLC (USEI) moves for
leave to assert claims alleging infringement of United States
Patent Nos. 5,307,459, 5,434,872, 5,732,094, and 5,299,313 against
Third Party Defendants Silicon Integrated Systems Corporation
(SiS) and Oracle Corporation. Oracle opposes the motion. SiS has
not filed a response to the motion. Silicon Integrated Systems
Corporation (Taiwan) (SIS-TW) moves to dismiss the third party
complaint filed against it by Third-Party Plaintiffs ASUSTek

1 Computer Inc. (ASUSTek) and ASUS Computer International (ACI).
2 ASUSTek and ACI oppose SiS-TW's motion.

3 For the reasons set forth below, the Court DENIES USEI's
4 motion and GRANTS SiS-TW's motion.

5 I. SiS-TW's motion to dismiss

6 A. Personal jurisdiction

7 Under Rule 12(b)(2) of the Federal Rules of Civil Procedure,
8 a defendant may move to dismiss for lack of personal jurisdiction.
9 The plaintiff then bears the burden of demonstrating that the
10 court has jurisdiction. Schwarzenegger v. Fred Martin Motor Co.,
11 374 F.3d 797, 800 (9th Cir. 2004). To satisfy this burden, the
12 plaintiff "need only demonstrate facts that if true would support
13 jurisdiction over the defendant." Ballard v. Savage, 65 F.3d
14 1495, 1498 (9th Cir. 1995). Uncontroverted allegations in the
15 complaint must be taken as true. AT&T v. Compagnie Bruxelles
16 Lambert, 94 F.3d 586, 588 (9th Cir. 1996). However, the court may
17 not assume the truth of such allegations if they are contradicted
18 by affidavit. Data Disc, Inc. v. Systems Technology Assocs.,
19 Inc., 557 F.2d 1280, 1284 (9th Cir. 1977). If the plaintiff also
20 submits admissible evidence, conflicts in the evidence must be
21 resolved in the plaintiff's favor. AT&T, 94 F.3d at 588.

22 There are two independent limitations on a court's power to
23 exercise personal jurisdiction over a non-resident defendant: the
24 applicable state personal jurisdiction rule and constitutional
25 principles of due process. Sher v. Johnson, 911 F.2d 1357, 1361
26 (9th Cir. 1990); Data Disc, Inc., 557 F.2d at 1286. Because
27 California's jurisdictional statute is co-extensive with federal
28 due process requirements, jurisdictional inquiries under state law

1 and federal due process standards merge into one analysis. Rano
2 v. Sipa Press, Inc., 987 F.2d 580, 587 (9th Cir. 1993).

3 The exercise of jurisdiction over a non-resident defendant
4 violates the protections created by the due process clause unless
5 the defendant has sufficient "minimum contacts" with the forum
6 state that the exercise of jurisdiction "does not offend
7 traditional notions of fair play and substantial justice." Int'l
8 Shoe Co. v. Washington, 326 U.S. 310, 316 (1945).

9 Personal jurisdiction may be either general or specific.
10 ASUSTek and ACI assert that both exist here. General jurisdiction
11 exists when the defendant maintains significant contacts with the
12 forum state, even if the cause of action is unrelated to those
13 contacts. Helicopteros Nacionales de Colombia, S.A. v. Hall, 466
14 U.S. 408, 414 (1984). Specific jurisdiction, in contrast, exists
15 when the cause of action arises out of the defendant's contacts
16 with the forum state, even if those contacts are isolated and
17 sporadic. Data Disc, 557 F.2d at 1287.

18 1. General jurisdiction

19 "A court may assert general jurisdiction over foreign
20 (sister-state or foreign-country) corporations to hear any and all
21 claims against them when their affiliations with the State are so
22 "continuous and systematic" as to render them essentially at home
23 in the forum State.'" Mavrix Photo, Inc. v. Brand Techs., Inc.,
24 647 F.3d 1218, 1223-1224 (9th Cir. 2011) (quoting Goodyear Dunlop
25 Tires Operations, S.A. v. Brown, 131 S. Ct. 2846, 2851 (2011)).

26 "For general jurisdiction to exist, a defendant must engage in
27 'continuous and systematic general business contacts' . . . that
28 'approximate physical presence' in the forum state" Id.

1 at 1223-24 (internal citations omitted). The standard is an
2 "exacting" one and "is met only by 'continuous corporate
3 operations within a state [that are] thought so substantial and of
4 such a nature as to justify suit against [the defendant] on causes
5 of action arising from dealings entirely distinct from those
6 activities.'" Id. at 1224 (citation omitted, (alterations in
7 original). "To determine whether a nonresident defendant's
8 contacts are sufficiently substantial, continuous, and systematic,
9 we consider their '[l]ongevity, continuity, volume, economic
10 impact, physical presence, and integration into the state's
11 regulatory or economic markets.'" Id. (quoting Tuazon v. R.J.
12 Reynolds Tobacco Co., 433 F.3d 1163, 1172 (9th Cir. 2006). The
13 Ninth Circuit has observed that the "Supreme Court has found
14 general personal jurisdiction over a non-resident defendant in
15 only one case." Id. (citing Perkins v. Benguet Consol. Mining
16 Co., 342 U.S. 437, 447-48 (1952)).

17 SiS-TW asserts that it is a Taiwanese corporation and is a
18 separate legal entity than Silicon Integrated Systems Corporation
19 (USA) (SiS-USA). It argues that the Court is unable to assert
20 personal jurisdiction over it based simply on the relationship
21 between it and SiS-USA, which is a California corporation.¹

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25 ¹ The Court notes that ASUSTek and ACI have not brought
26 claims against SiS-USA in their third party complaint. In their
27 pleading, ASUSTek and ACI have asserted claims against a single
28 party, "Silicon Integrated Systems Corp.," which they allege to be
a "Taiwanese company with a principal place of business" in
Taiwan. Third-Party Compl. ¶ 5. They allege that this entity "is
registered in California to do business," id. at ¶ 6, but do not
purport to bring claims against a California company.

1 SiS-TW has filed a declaration attesting to the following
2 facts, among others. Its operations are based solely in Taiwan,
3 it does not have an office in California and it does not have any
4 employees, officers, directors or managing agents located in
5 California or elsewhere in the United States. Chen Decl. ¶¶ 3-4,
6 6. It is not registered to do business and does not have a
7 mailing address in California or the United States. Id. at ¶¶ 5,
8 7. It does not own property, pay taxes or file tax returns in
9 California or the United States, does not have assets or service
10 locations in those areas and does not sell the products at issue
11 there. Id. at ¶¶ 9-12.

12 SiS-TW attests that it entered into a purchase order
13 agreement with ASUSTeK, which is also a Taiwanese company, in
14 Taiwan, and sold and delivered its products to ASUSTeK there or in
15 China. Id. at ¶¶ 13-14, 21; Third-Party Compl. ¶ 5. It also
16 states that it has no control or direction over where ASUSTeK
17 sells its products and that, while it "is aware that ASUSTeK sells
18 its products worldwide including the United States in general,
19 SiS-TW has no knowledge as to where ASUSTeK specifically sells its
20 products in the United States." Chen Decl. ¶ 16.

21 As to its relationship with SiS-USA, SiS-TW states that it
22 "is the grandparent organization of SiS-USA in a chain of
23 companies," specifically that SiS-USA is a wholly-owned subsidiary
24 of a Cayman Islands company that is in turn a wholly-owned
25 subsidiary of SiS-TW. Id. at ¶ 27. It attests that the two
26 entities maintain separate business records, external CPAs and
27 bank accounts. Id. at ¶ 28.

ASUSTeK and ACI do not contest "that a subsidiary's contacts with California do not, standing alone, confer jurisdiction on a parent corporation" but contend that SIS-TW has "taken over the role of the US entity" and now has sufficient minimum contacts with California to support the exercise of general jurisdiction. Docket No. 782, 2. The Ninth Circuit has recognized that, "'if the parent and subsidiary are not really separate entities, or one acts as an agent of the other, the local subsidiary's contacts with the forum may be imputed to the foreign parent corporation.'" Doe v. Unocal Corp., 248 F.3d 915, 926 (9th Cir. 2001) (quoting El-Fadl v. Central Bank of Jordan, 75 F.3d 668, 676 (D.C. Cir. 1996)). "An alter ego or agency relationship is typified by parental control of the subsidiary's internal affairs or daily operations." Id. (citing Kramer Motors, Inc. v. British Leyland, Ltd., 628 F.2d 1175, 1177 (9th Cir. 1980)).

ASUSTeK and ACI state that, in an answer filed in the Eastern District of Texas last year, SiS-TW "admitted" that "[o]n November 18, 2008, SIS America decided to discontinue operations in the United States; since then, SIS Taiwan has assumed responsibility for United States sales." Opp. at 2 (citing Brigham Decl., Ex. 5). They also assert that SiS-TW has filed a joint financial report for itself and its subsidiaries and that an officer of the American entity was a named inventor on seven United States patents that were assigned to the Taiwanese entity. Id. (citing Brigham Decl., Exs. 1-4).

These facts are not sufficient to show that SiS-TW maintained "continuous and systematic" business operations in California or that SiS-US is the agent or alter-ego of SiS-TW. See Doe, 248

1 F.3d at 926-29 (explaining the requirements to show that an agency
2 or alter-ego relationship). Accordingly, the Court finds that
3 ASUSTeK and ACI have not met their burden to show that it has
4 general jurisdiction over SiS-TW.

5 2. Specific jurisdiction

6 Specific jurisdiction exists when the cause of action arises
7 out of the defendant's contacts with the forum state, even if
8 those contacts are isolated and sporadic. Data Disc, 557 F.2d at
9 1287. Courts in this circuit use a three-prong test to determine
10 whether they may assert specific jurisdiction in a particular
11 case: (1) the foreign defendant must purposefully direct its
12 activities or consummate some transaction with the forum or a
13 resident thereof, or perform some act by which it purposefully
14 avails itself of the privilege of conducting business in the
15 forum, thereby invoking the benefits and protections of its laws;
16 (2) the claim must be one which arises out of or results from the
17 defendant's forum-related activities; and (3) the exercise of
18 jurisdiction must be reasonable. Lake v. Lake, 817 F.2d 1416,
19 1421 (9th Cir. 1987). Each of these conditions must be satisfied
20 to assert jurisdiction. Insurance Co. of N. Am. v. Marina Salina
21 Cruz, 649 F.2d 1266, 1270 (9th Cir. 1981).

22 ASUSTeK and ACI have not met their burden to meet the
23 purposeful direction or availment prong of this test. They assert
24 "the Taiwan entity has admitted it is responsible for the US
25 entity's previous sales activities through the United States."
26 Docket No. 782, 7. This is not correct. SiS-TW did not admit
27 that it took responsibility for previous sales activity. Instead,
28 it has admitted that, since SiS-US discontinued its United States

1 operations in 2008, SIS-TW had assumed responsibility for United
2 States sales. However, there is no evidence that there have been
3 any United States sales activity during that period or that any
4 such activity took place within California.

5 3. Jurisdictional discovery

6 ASUSTeK and ACI request permission to pursue jurisdictional
7 discovery. SiS-TW opposes the request.

8 Jurisdictional "discovery should ordinarily be granted where
9 pertinent facts bearing on the question of jurisdiction are
10 controverted or where a more satisfactory showing of the facts is
11 necessary." Laub v. United States DOI, 342 F.3d 1080, 1093 (9th
12 Cir. 2003). "[W]here a plaintiff's claim of personal jurisdiction
13 appears to be both attenuated and based on bare allegations in the
14 face of specific denials made by the defendants, the Court need
15 not permit even limited discovery" Pebble Beach Co. v.
16 Caddy, 453 F.3d 1151, 1160 (9th Cir. 2006) (quoting Terracom v.
17 Valley Nat. Bank, 49 F.3d 555, 562 (9th Cir. 1995)).

18 While there is not presently evidence of ongoing sales, in
19 light of SiS-TW's admitted assumption of responsibility for United
20 States sales in 2008, jurisdictional discovery is appropriate
21 here. Accordingly, ASUSTeK and ACI's request is granted.

22 B. Sufficiency of service

23 SiS-TW further moves to dismiss under Rule 12(b)(5) on the
24 basis that it was not properly served with the third party
25 complaint.

26 A federal court lacks personal jurisdiction over a defendant
27 if service of process is insufficient. Omni Capital Int'l v.
28 Rudolf Wolff & Co., 484 U.S. 97, 104 (1987). A court may dismiss

1 the action without prejudice pursuant to Rule 12(b)(5). "Once
2 service is challenged, plaintiffs bear the burden of establishing
3 that service was valid under Rule 4." Brockmeyer v. May, 383 F.3d
4 798, 801 (9th Cir. 2004) (citing 4A Charles A. Wright & Arthur R.
5 Miller, Federal Practice and Procedure § 1083 (3d ed. 2002 & Supp.
6 2003)).

7 The certificate of service shows that ASUSTeK and ACI served
8 Isabel Chiu by personal service on January 23, 2013. Docket No.
9 684. SiS-TW attests that Ms. Chiu is the registered agent for
10 service of process in the California for SiS-US, that she is not
11 authorized to accept service on behalf of SiS-TW, that she has
12 never had any relationship with SiS-TW and that it does not have
13 an authorized agent for service of process within the state. Chiu
14 Decl. ¶¶ 22-25.

15 ASUSTeK and ACI assert, without any citation to supporting
16 authority, that, because "SiS took the place of its California
17 subsidiary," service upon the subsidiary's registered agent
18 constituted sufficient service. Docket No. 782. However, even
19 assuming that such service could under some circumstances be
20 proper, SiS-TW did not "take the place of" SiS-US; instead, it
21 assumed responsibility for United States sales after 2008.

22 "Where service of process is insufficient, the court has the
23 option of dismissing the action or quashing the service and
24 retaining the case." O'Haire v. Napa State Hosp., 2010 U.S. Dist.
25 LEXIS 37881, at *7 (N.D. Cal.) (citation omitted). "Generally
26 service will be quashed in those cases in which there is a
27 reasonable prospect that the plaintiff will be able to serve the
28 defendant properly." Id. (internal quotation marks and citations

omitted). Here, it appears that there is a reasonable prospect that ASUSTeK and ACI will be able to serve SiS-TW properly. Thus, the Court quashes service but does not dismiss the third party complaint at this time.

C. Claims by ACI

Finally, SiS-TW argues that the indemnity claims by ACI should be dismissed because ACI was not a party to the purchase agreement and cannot enforce any rights under the agreement.

ACI does not dispute that it was not a signatory to the agreement. Instead, it contends that it was a wholly owned subsidiary of ASUSTeK, as alleged in the third party complaint, and that it is responsible for sales and distribution of ASUSTeK's products in the United States, which was not alleged in the third party complaint. It contends that it is thus able to enforce the indemnity provision because that provision states in relevant part,

"If Asustek suffers from any prosecution, claim, allegation, appeal, request, action or other legal procedures because the supplier breaches the above guarantees, the supplier shall agree to defend Asustek and its directors, executives, employees, successors, assignees, agents and clients and compensate them for any loss, damage, responsibility and expenses incurred thereby (including reasonable attorney fees and legal fees)."

Brigham Decl., Ex. 8. ASI also contends that it is a third party beneficiary of the agreement. However, although ASI may fall under this provision or may be a third party beneficiary of the agreement, it has not plead facts sufficient to allege such a conclusion at this time.

1 Accordingly, the Court grants SiS-TW's motion to dismiss
2 ACI's claims. This dismissal is without prejudice to ACI amending
3 the complaint to resolve this deficiency.

4 II. USEI's motion for leave to file

5 A. Background

6 On January 17, 2013, the Court granted ASUSTek and ACI leave
7 to file a third-party complaint against SiS. Docket No. 679. In
8 their motion and proposed third-party complaint, they had alleged
9 that SiS sold them products that they then incorporated into their
10 own goods and that SiS's products provide the functionality in
11 their goods that USEI was accusing of infringing its patents.
12 USEI had opposed the motion for leave, arguing that impleader of
13 SiS would unnecessarily complicate issues at trial.

14 On February 5, 2013, Defendant Apple, Inc. filed a motion for
15 leave to file a third party complaint against Oracle. Apple
16 asserted that USEI had accused "certain Apple products of
17 infringing the patents-in-suit based on their use of Ethernet
18 technology supplied by Sun Microsystems," which was subsequently
19 acquired by Oracle. Docket No. 685.

20 On February 19, 2013, the Court entered a scheduling order
21 requiring that "any party who wishes to add a party or claims"
22 must "file a motion seeking leave to do so" by March 14, 2013.
23 Docket No. 691.

24 Thereafter, USEI moved for leave to assert claims against
25 SiS, as well as against Oracle and any other third parties that
26 the Court allowed into the related cases.

27 On April 18, 2013, the Court granted Apple's motion and
28 denied USEI's motion. Docket No. 734. The Court noted that USEI

1 had not stated "what claims it would like to assert against these
2 parties" and had failed to submit "a proposed amended complaint
3 setting forth the claims it seeks to bring against any of these
4 parties" as required by the Civil Local Rules. The Court
5 specified, "This denial is without prejudice to USEI filing a
6 renewed motion for leave to amend to assert claims against these
7 parties, provided that it attaches its proposed amended pleading
8 to any such motion." Id. at 7.

9 B. Legal standard

10 Pursuant to Federal Rule of Civil Procedure 16(b)(4), a
11 scheduling order "may be modified only for good cause and with the
12 judge's consent." Where a schedule has been ordered, a party's
13 ability to amend its pleading is governed by this good cause
14 standard, not the more liberal standard of Rule 15(a)(2). Johnson
15 v. Mammoth Recreations, Inc., 975 F.2d 604, 608 (9th Cir. 1992).
16 In order to determine whether good cause exists, courts primarily
17 consider the diligence of the party seeking the modification. Id.
18 at 609; see also Coleman v. Quaker Oats Co., 232 F.3d 1271, 1294
19 (9th Cir. 2000).

20 Federal Rule of Civil Procedure 15(a) provides that leave of
21 the court allowing a party to amend its pleading "shall be freely
22 given when justice so requires." Courts consider five factors
23 when assessing the propriety of a motion for leave to amend: undue
24 delay, bad faith, futility of amendment, prejudice to the opposing
25 party and whether the plaintiff has previously amended the
26 complaint. Ahlmeier v. Nev. Sys. of Higher Educ., 555 F.3d 1051,
27 1055 n.3 (9th Cir. 2009).
28

1 C. Discussion

2 In its motion, USEI did not attempt to show that its proposed
3 amendment would satisfy the requirements of either Rule 15 or 16.
4 In its opposition, Oracle argues that it would be prejudiced by
5 the proposed amendment, that USEI has unjustifiably delayed in the
6 seeking leave to assert claims against Oracle and that USEI has
7 previously amended its complaint.

8 Even applying the more lenient Rule 15 standard, the Court
9 finds that Oracle has met its burden to show that USEI
10 unreasonably delayed in bringing it into this litigation and that
11 Oracle was prejudiced as a result of this delay. Specifically,
12 Oracle points out that, by April 2010, USEI knew that it was
13 challenging Oracle's technology, because at that time, USEI
14 purportedly served Apple with supplemental infringement
15 contentions that identified Oracle Ethernet technology,
16 specifically the "Sun GEM Ethernet Controller Family,"
17 incorporated into certain Apple products as the bases for its
18 alleged infringement. Allowing USEI to assert infringement
19 contentions against Oracle now would be unduly prejudicial
20 because, among other things, it would be deprived of the
21 opportunity to participate in the claim construction proceedings
22 that have already taken place and the dispositive summary judgment
23 that is now pending.

24 USEI argues that it acted quickly to add Oracle to the case
25 once "the possibility of Oracle joining the litigation arose" when
26 Apple filed its motion to bring indemnification claims against
27 Oracle and asserts that Oracle could have intervened in the case
28 to protect its interests. However, USEI does not dispute that it

1 was aware of the factual basis for the claims that it seeks to
2 assert more than two years before it made any attempt to add
3 Oracle to this litigation. That Oracle could hypothetically have
4 affirmatively sought to be part of this litigation does not excuse
5 USEI's unreasonable delay.

6 USEI further contends that any possible issue of prejudice
7 that would result from adding Oracle has already been resolved
8 because the Court permitted Apple to assert claims against it.
9 However, as Oracle points out, the claims presently asserted
10 against it by Apple do not implicate all of the claims that USEI
11 seeks to make now. For instance, USEI is very clear in its reply
12 that it seeks to accuse more of Oracle's products than those
13 associated with already-accused Apple products. Further, although
14 Oracle is now a party to this action, it is not presently involved
15 in all issues raised in this case. Oracle has admitted that it
16 sold Apple Ethernet technology that USEI is now accusing of
17 infringement. The issue between Oracle and Apple is whether
18 Oracle is required to pay for Apple's defense costs and any
19 potential settlement or judgment in this case and whether Apple's
20 indemnification claim is barred based on one of Oracle's various
21 defenses, such as estoppel, laches and breach of contract based on
22 Apple's failure to provide it with reasonably prompt notice of
23 USEI's infringement claims. These claims are very different than
24 infringement allegations asserted directly against Oracle.
25 Accordingly, the Court denies the USEI's motion to assert claims
26 against Oracle.

27 Finally, USEI moves to assert claims against "Silicon
28 Integrated Systems Corporation," which it alleges is a company

1 organized and existing under the laws of California. Proposed
2 Second Am. Compl. ¶ 14. USEI's motion to assert claims against
3 SiS-USA is dependent on it already being a party to this case as a
4 result of the third party complaint. However, as noted above,
5 SiS-USA was not named as a defendant in the third party complaint.
6 Further, the Court has granted the motion to dismiss the third
7 party complaint against SiS-TW, the only SiS entity that was named
8 in that pleading. Accordingly, the Court denies USEI's motion for
9 leave to assert claims against SiS-USA.

10 CONCLUSION

11 For the reasons set forth above, the Court DENIES USEI's
12 motion for leave to assert claims against Oracle and SiS-USA and
13 GRANTS SiS-TW's motion to quash and dismiss.

14 ASUSTeK and ASI are granted leave to file an amended third
15 party complaint within seven days of the date of this Order and
16 shall serve it within twenty-one days thereafter. After service
17 is effectuated, and provided that it is not quashed, they may
18 engage in limited jurisdictional discovery with SiS.

19 This Order resolves Docket Nos. 754 and 731.

20 IT IS SO ORDERED.

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22 Dated: 8/7/2013

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CLAUDIA WILKEN
United States District Judge